
Business & Financial Services Committee

HB 2082

Brief Description: Regulating life insurance policies.

Sponsors: Representatives Zeiger and Kirby.

Brief Summary of Bill

- Permits an insurer to issue an individual or group life insurance policy where the cumulative premiums for the policy exceed the benefit payable at death, if the minimum benefit payable at death is \$5000 or more.

Hearing Date: 1/15/14

Staff: Linda Merelle (786-7092).

Background:

Unfair Practice.

No person engaged in the business of insurance shall engage in unfair methods of competition or in unfair or deceptive acts or practices in the conduct of insurance business. Unfair or deceptive acts or practices may be expressly defined in statute and may, in addition, be defined in rule by the Insurance Commissioner (Commissioner). If an insurer engages in an unfair or deceptive act against a consumer, the consumer has a right of legal action.

If the Commissioner has cause to believe that any person or entity is violating a regulation regarding unfair or deceptive acts or practices, the Commissioner may order the person or entity to cease and desist. If the person or entity subsequently violates the order after 10 days of receiving a cease and desist order, the Commissioner may impose a fine of up to \$250 per violation. The Commissioner also may take additional action as permitted under the insurance code.

Life Insurance Policies.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Under the Washington Administrative Code (WAC), it is an unfair practice for any insurer to provide life insurance coverage on any person or on behalf of such person unless the benefit payable at death under the policy will equal or exceed the cumulative premiums. The cumulative premiums are defined as all sums paid as consideration, less dividends paid in cash, for coverage during the first 10 years of coverage.

It is not considered an unfair practice for an insurer to offer such a policy if the minimum benefit of the policy payable at death is \$25,000 or more. It is also not considered an unfair practice if the policy is a group life insurance policy, regardless of the minimum benefit payable at death, unless the insured pays all or substantially all of the premium and coverage under a conversion from a group policy to individual policies.

Summary of Bill:

This act provides that if the benefit payable at death is \$5000 or greater, it is not an unfair practice for an insurer to issue an individual life insurance policy or a group life insurance policy where the cumulative premiums paid under the policy exceed the benefit payable at death. An insurer may issue such a group life insurance policy even where the insured pays all or substantially all of the premiums for the coverage if the policy is converted from coverage under the group policy to an individual policy.

Appropriation: None.

Fiscal Note: Requested on 1/13/14.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.